

Third Quarter and Nine-month Results to 31 March 2010

27 May 2010

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3. Mobile
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Overview of Performance

Paul Donovan - CEO

KEY MESSAGES:

Important progress in a challenging environment



- Shareholder base stabilised – STT a “long term strategic investor” in eircom
- Formal agreement with Unions to remediate pensions
 - Eliminated deficit
 - Reduced risks
 - Contained costs
- Revenue pressures continue, against background of challenging economic environment
- Costs* continue to fall – down 8.4% on the prior year quarter
- EBITDA* down 3.6% on the prior year
- Headcount target for 2011 will be achieved early
- Targeted new investment, rolling out high-speed broadband supported by our Next Generation and 3G networks
- Growth in both fixed and mobile broadband – 19,000 net adds in the quarter: 6K Retail DSL, 6K

Wholesale DSL and 7K Mobile Broadband

* Adjusted EBITDA and costs before non cash pension charge/credit, exceptional costs, net construction income and management fees.

FINANCIAL KPIs



	Q3 PY €M	Q3 CY €M	Better/ (Worse) %	9mths PY €M	9mths CY €M	Better/ (Worse) %
Revenues	488	455	(6.8%)	1,518	1,388	(8.6%)
- Fixed	383	356	(7.0%)	1,186	1,079	(9.0%)
- Mobile	118	112	(5.1%)	375	351	(6.4%)
- Consolidation adjustments	(13)	(13)		(43)	(42)	
Adjusted EBITDA before management fees*	179	173	(3.6%)	521	505	(3.1%)
- Fixed	145	142	(2.3%)	433	423	(2.4%)
- Mobile	34	31	(8.8%)	88	82	(6.8%)
Cash CAPEX (excluding Tetra)	(66)	(47)	28.8%	(251)	(200)	20.3%
Cashflow before financing and construction contract³	(30)	1	n/m	(26)	9	n/m
Cash on hand¹				243	265	
Net cashpay acquisition debt²				3,380	3,265	

1. Excluding restricted cash of €7m (€10m in prior year), net of overdraft.
 2. Excluding Restricted Cash, Tetra debt, debt issue costs, leases and defeased leases
 3. Prior year excludes €124m construction contract receipt in July 08
 * Before non cash pension charge/(credit), exceptional costs and net construction income

OPERATIONAL KPIs – FIXED LINE



		Q3 PY '000	Q3 CY '000	Better/ (Worse) %
PSTN Lines:	Retail	1,242	1,164	(6%)
	Wholesale	323	326	1%
	Total	1,565	1,490	(5%)
	Net growth/(decline) in quarter	(21)	(15)	29%
DSL Lines: (<i>'000</i>)	Retail	472	496	5%
	Wholesale	186	207	11%
	Total	658	703	7%
	Net growth/(decline) in quarter	19	12	(37%)
Traffic: (<i>M minutes in quarter</i>)	Retail voice	1,296	1,145	(12%)
	Wholesale	2,181	1,989	(9%)
Total group labour resources (eFTE)*		8,961	8,066	10%
* <i>Equivalent full time employees including contractors</i>				

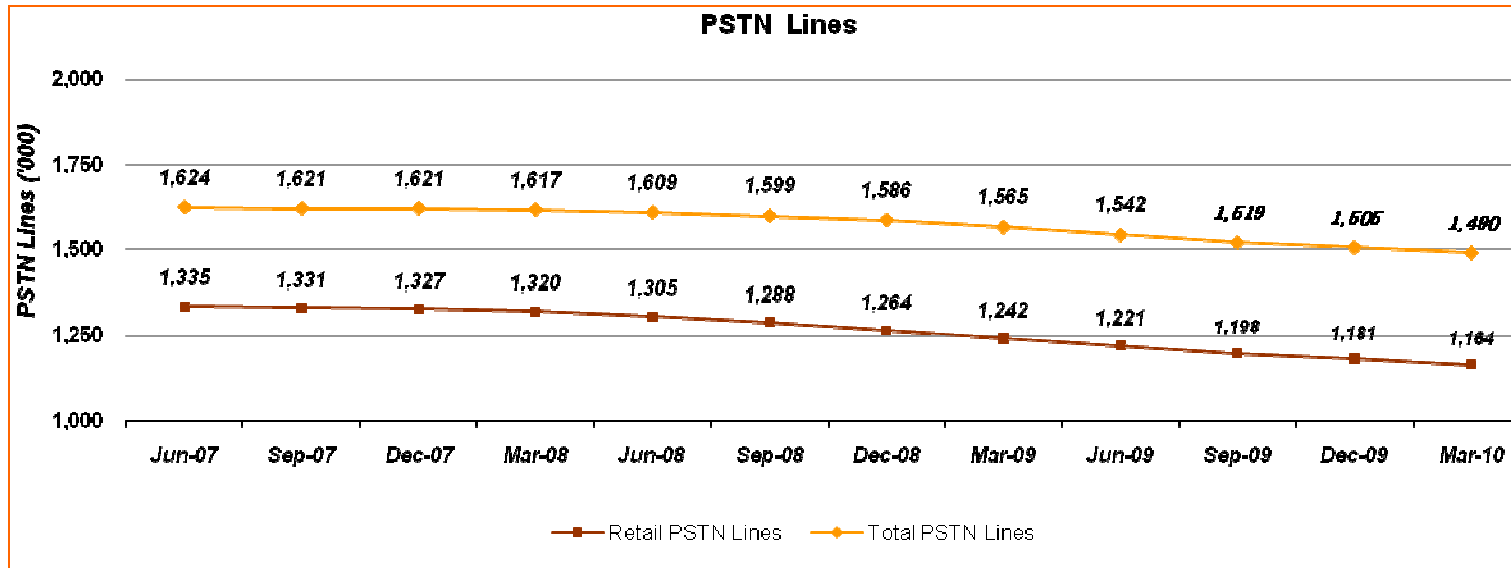
OPERATIONAL KPIs - MOBILE

		Q3 PY	Q3 CY	Better/ (Worse)
		'000	'000	%
Mobile customers:	Prepaid	892	883	(1%)
	Postpaid	138	143	4%
	MBB *	3	39	n/m
	Total	<u>1,033</u>	<u>1,065</u>	3%
	Net additions in the quarter:			
	- Handsets	(10)	(28)	(180%)
	- MBB	3	7	133%
	Monthly ARPU (€) (average for the quarter)	36.24	33.00	(9%)
	Non-SMS data (as % of outbound revenue in Qtr)	8.4%	11.3%	35%

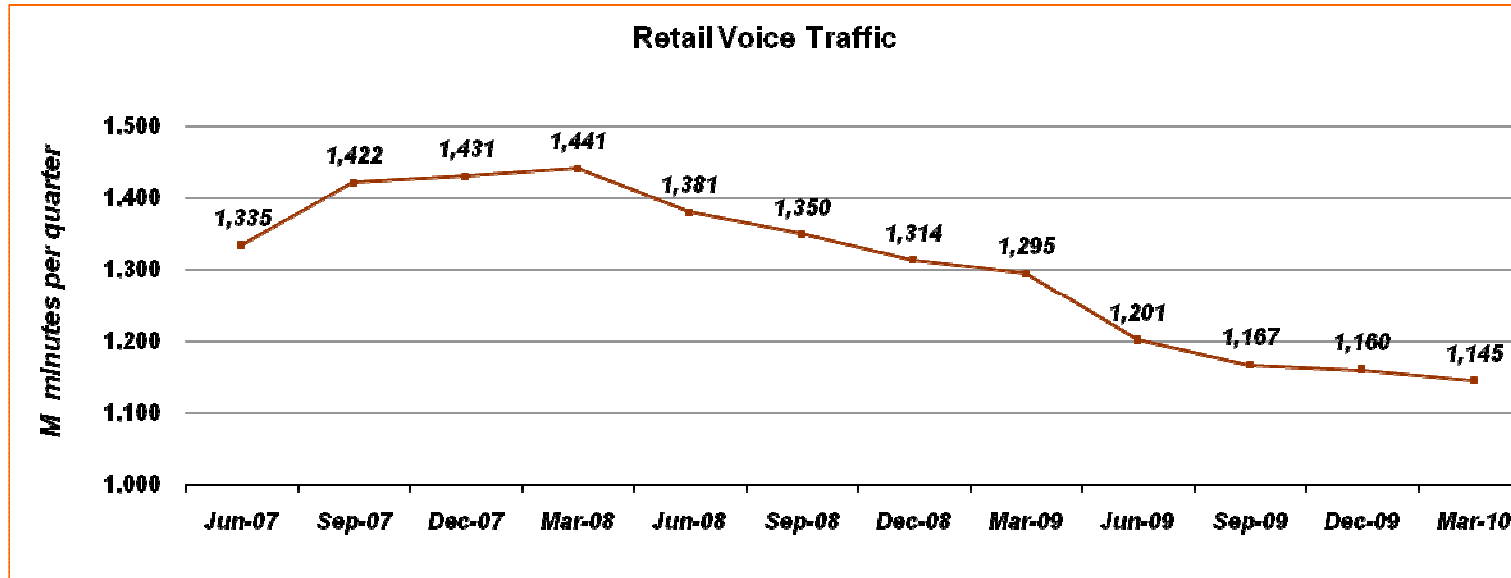
* Mobile broadband modems

Fixed Line

FIXED LINE – Customer Numbers and Traffic



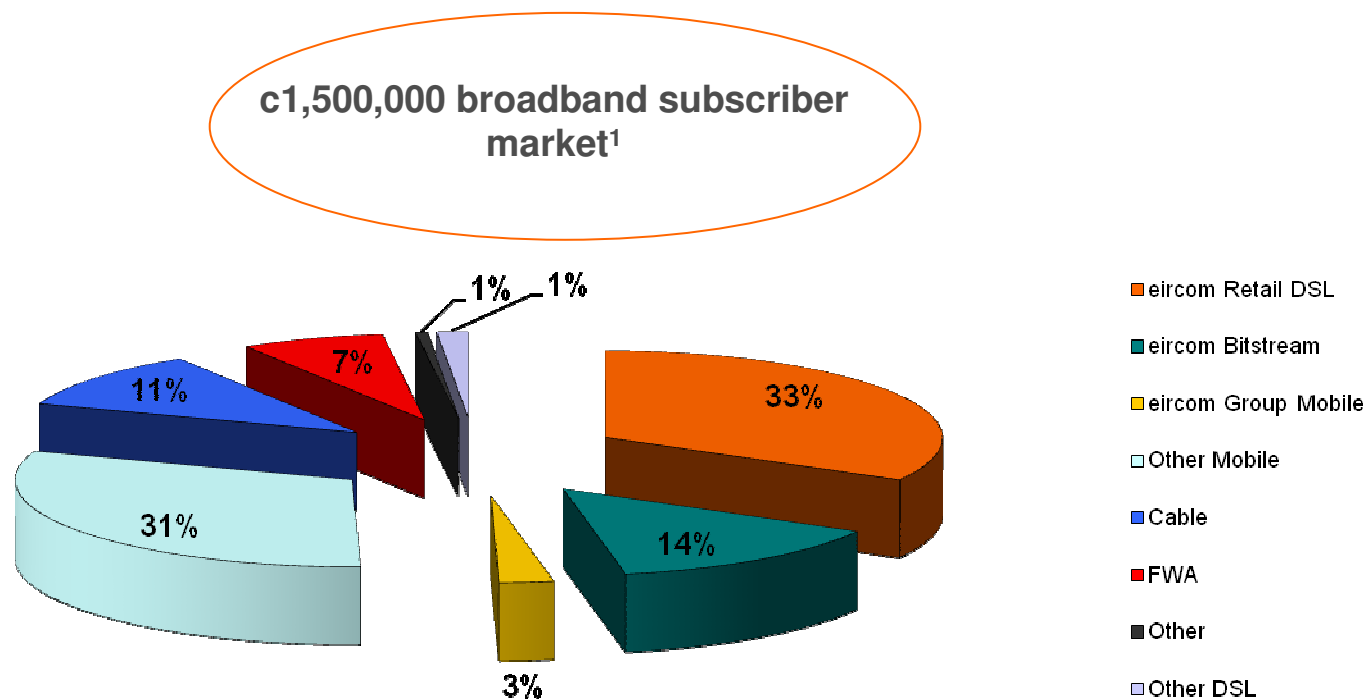
- 5% decline YoY in total PSTN lines
- 6% decline YoY in Retail PSTN lines



- 12% decline YoY in Retail voice traffic (15m minute reduction in Q3 vs 7m in Q2 and 34m in Q1)

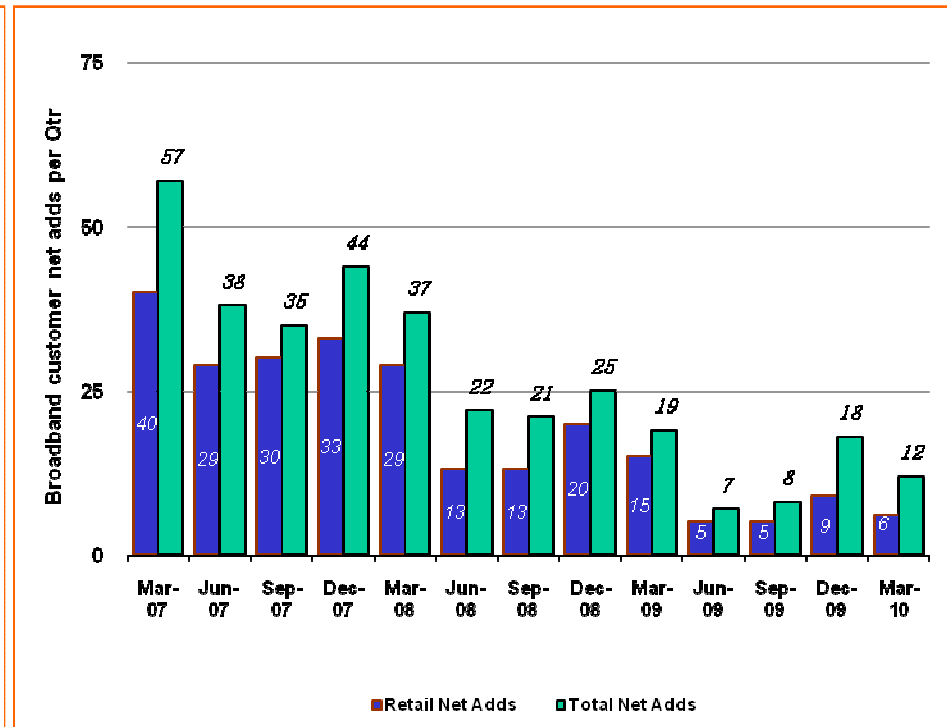
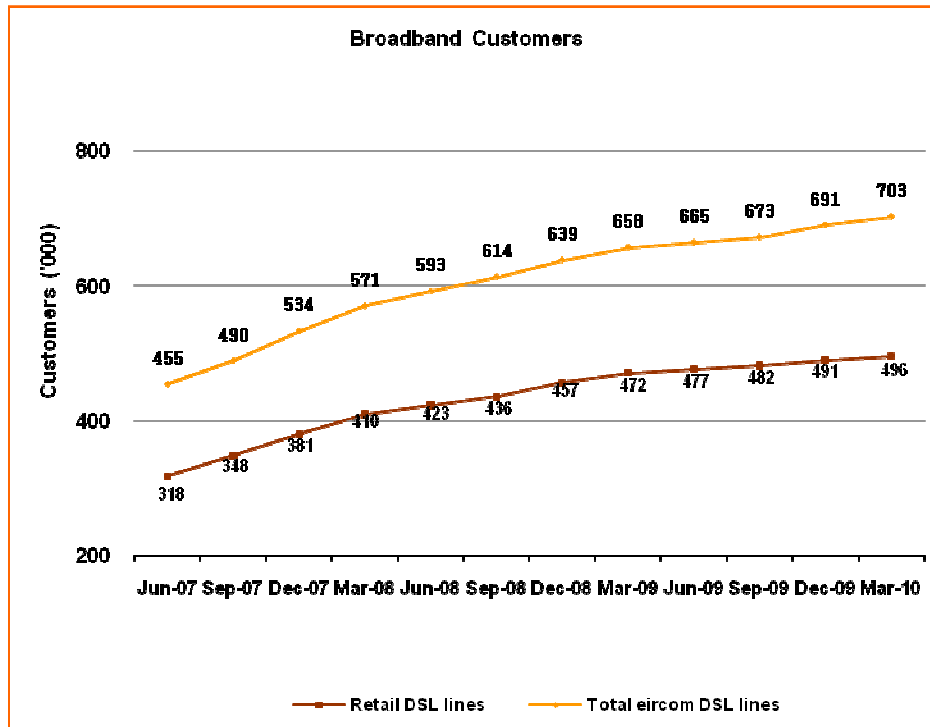
BROADBAND MARKET:

Ireland has a fully competitive broadband market



- Wholesale DSL comprises 14% of total broadband market
- Retail share of DSL market is c68% at end March 2010 (69% in December); 33% of total broadband market
- Retail and Wholesale DSL share of total broadband market is c47% at end March 2010
- Group Fixed and Mobile broadband customer base of 742,000; c50% of the total broadband market

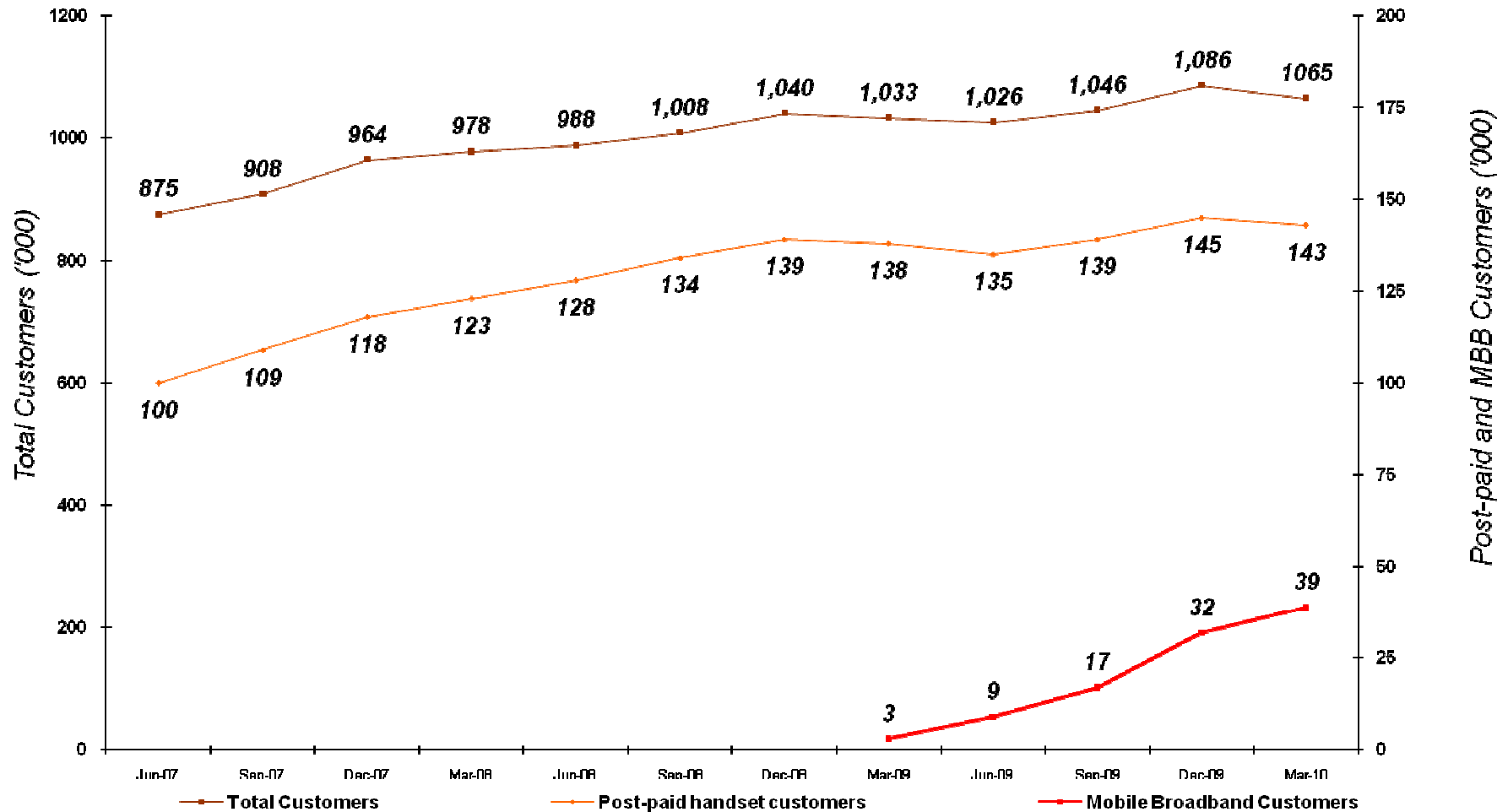
FIXED LINE - Broadband Customer Trends



- Speed upgrade programmes continue
 - 69% of total Retail subscribers now on 3Mb or more
 - 24Mb/s broadband launched in Jan 10
 - 8Mb/s NGB un-contended Broadband launched in Apr 10 – c37,000 Retail customers by May
 - Anticipate 60% of Retail base on 8Mb/s by end 2010.

Mobile

MOBILE PERFORMANCE – CUSTOMER NUMBERS |



Total customers include MBB and eircom mobile.
 Mobile Broadband Customers include meteor Mobile Broadband and eircom Mobile Broadband.

MOBILE PERFORMANCE - 3G: Mobile Broadband



- Phased rollout targeting cities and large towns in 2009 and 2010:
 - 53% population coverage achieved in September 09
 - 825 sites now live
 - 2Mb indoor coverage now for 47% of population
 - ComReg bond of €13m released in Dec 09
- Over 39,000 MBB customers at 31 March 2010
- Won 17% of net adds (Jan/Mar 10)
- 28% of base now have 3G capable handset
- 64% of Bill Pay Customers now have a 3G capable device, majority of sales are 3G
- Over 30% of Bill Pay sales are now on Smart-phone devices
- Launched in April the best-in-market prepay and postpay “Smart” tariff plans which include data as part of the offer.
 - Positioning Meteor as “Your Social Network”

<i>Net MBB Adds per quarter</i>	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	MBB Customers at Mar 10
Meteor*	0	0	0	0	0	3	6	8	15	7	39
Vodafone	17	17	14	7	10	7	-1	7	13	7	134
O2	11	17	4	17	28	1	8	7	14	8	135
3 Ireland	22	19	17	19	20	18	10	19	13	20	200
	50	53	35	43	58	29	23	41	55	42	508

* Including eircom Mobile
 Source: ComReg quarterly reports and Management estimates
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- Network launched mid-June 09
- c12,000 active users as of March 2010, up from 10,000 in December 2009
- Police in Limerick, Cork and Kerry went live between February and May
 - Now providing service to Prison Services, Police and other Government Agencies
- Ambulance Services set to go live in Q4 09/10
- Network rollout on plan: South East region set to go live June 10, construction of nationwide network to be completed next month
 - includes sea and air cover
- EBITDA contribution will continue to grow
- CAPEX programme almost complete.

Financial Review: Q3 and Nine-month Results to 31 March 2010

Peter Cross - CFO

INCOME STATEMENT FOR ERCIF¹



	Q3 08/09	Q3 09/10	Better/ (Worse)	9 Mths 08/09	9 Mths 09/10	Better/ (Worse)
	€M	€M	%	€M	€M	%
Revenue	488	455	(6.8%)	1,518	1,388	(8.6%)
-Fixed line	383	356	(7.0%)	1,186	1,079	(9.0%)
-Mobile	118	112	(5.1%)	375	351	(6.4%)
-Consol. adj.	(13)	(13)		(43)	(42)	
Opex*	(311)	(285)	8.4%	(1,004)	(891)	11.3%
-Fixed line	(240)	(217)	9.6%	(760)	(664)	12.6%
-Mobile	(84)	(81)	3.6%	(287)	(269)	6.3%
-Consol. adj.	13	13		43	42	
Adjusted EBITDA*	177	170	(4.0%)	514	497	(3.3%)
-Fixed line	143	139	(2.8%)	426	415	(2.6%)
-Mobile	34	31	(8.8%)	88	82	(6.8%)
Adjusted EBITDA* before management fees	179	173	(3.4%)	521	505	(3.1%)
-Fixed line	145	142	(2.1%)	433	423	(2.3%)
-Mobile	34	31	(8.8%)	88	82	(6.8%)

1. Based on unaudited management accounts for the group.

* Opex and adjusted EBITDA are before non cash pension charge/credit, exceptional items and net construction income.

INCOME STATEMENT FOR ERCIF¹ (CONT'D)



	Q3 08/09 €M	Q3 09/10 €M	9 Mths 08/09 €M	9 Mths 09/10 €M
Adjusted EBITDA* after Mgmt fees	177	170	514	497
Non-cash pension credit/(charge)	3	(6)	7	(17)
Net construction income	0	0	6	0
Exceptional items	(4)	173	(8)	142
Depreciation & amortisation	(107)	(106)	(305)	(316)
Goodwill impairment	0	0	(720)	0
Operating profit/(loss)	69	231	(506)	306
Net finance costs	(77)	(66)	(295)	(154)
<i>-of which (loss)/gain on mark-to-market of interest rate hedges</i>	(19)	(7)	(102)	17
Share of profit of associates	0	0	2	0
(Loss)/profit before tax	(8)	165	(799)	152
Tax charge	(9)	(10)	(17)	(11)
(Loss)/Profit after tax	(17)	155	(816)	141

1. Based on unaudited management accounts for the group.

* Adjusted EBITDA is before non cash pension charge/credit, exceptional items and net construction income.

CASH FLOW STATEMENT FOR ERCIF⁽¹⁾



Consolidated cash flow	Q3	Q3	9 mths	9 mths
	08/09	09/10	08/09	09/10
	€M	€M	€M	€M
Adjusted EBITDA after management fees*	177	170	514	497
- Payments for restructuring/provisions and non-cash provisions	(5)	(13)	(19)	(48)
- Working capital movement	(44)	(43)	(32)	(44)
- Tax (net)	(2)	18	(2)	6
Cash flow from operations	126	132	461	411
Capex - Group excluding Tetra	(66)	(47)	(251)	(200)
Capex - Tetra	(7)	(5)	(19)	(18)
Other	0	0	2	1
Cashflow before debt service	53	80	193	194
Interest paid (net) ²	(84)	(78)	(223)	(184)
Cash flow before construction contract	(31)	2	(30)	10
Sale of property & investments	1	0	4	0
Net construction contract cash flow	0	(1)	124	(1)
Cash flow before financing	(30)	1	98	9
Loan and lease repayments	(19)	(19)	(151)	(93)
Property loans repaid	0	0	(72)	0
Tetra loans drawn	8	3	16	16
Net cash flow	(41)	(15)	(109)	(68)
Opening cash³	284	280	352	333
Closing cash³	243	265	243	265

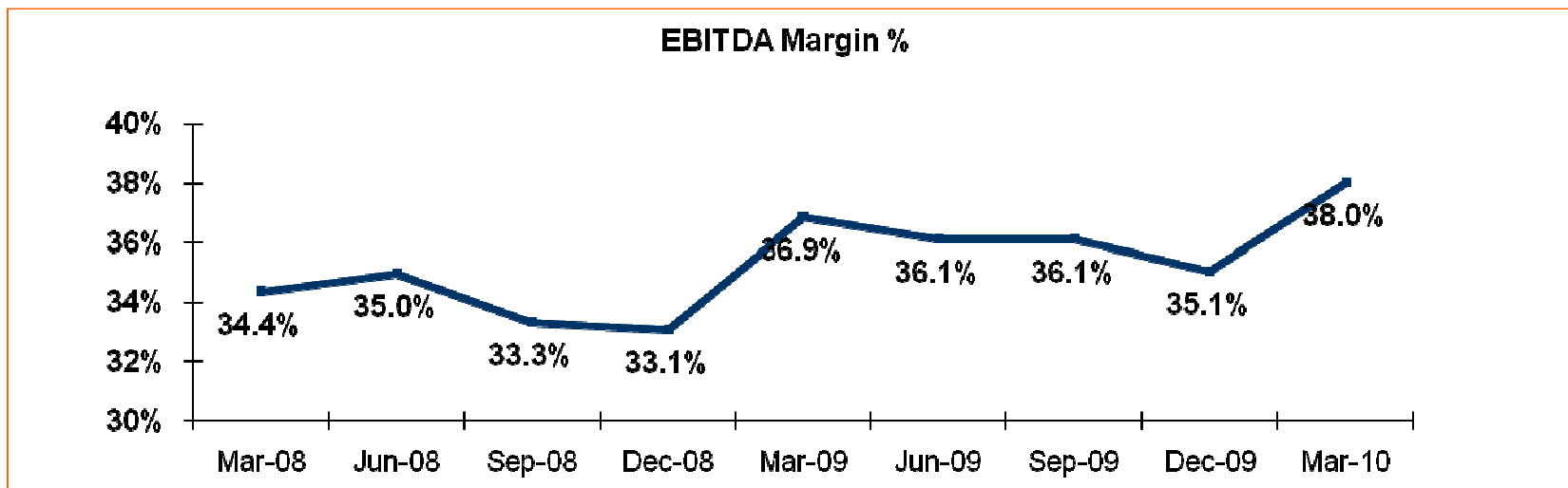
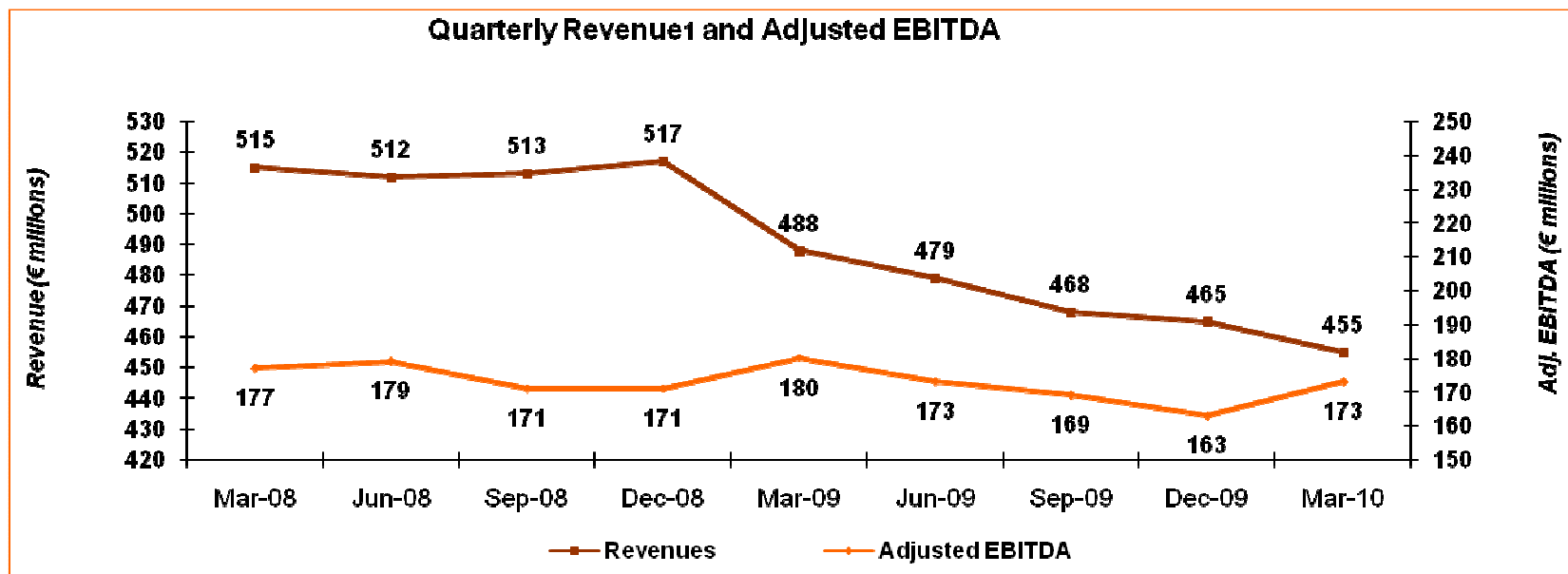
1. Based on unaudited management accounts for the group.

2. Includes preference dividends

3. Excludes €7m of restricted cash (€10m in prior year)

* Adjusted EBITDA before non cash pension charge/credit, exceptional items and net construction income.

GROUP FINANCIAL TRENDS



1. Source: unaudited management accounts
 Revenue after consolidation and Fair Value adjustments.
 Adjusted EBITDA before: exceptional costs, non cash pension credit, net construction income and profit on disposal of property and investments, and management charges.

RELENTLESS FOCUS ON COSTS

- Target of 1,200 labour resource* reduction in 2 years from March 09 well in hand – 894 (10%) net exits by 31 March 2010.

- Significant acceleration of target expected

- “Stage 1 Accord” with employees:

- Pay freeze to June 2011
 - Pay and bonus cuts

- Major restructuring in progress:

- Combined Fixed Line and Mobile network organisation
 - Call centre rationalisation
 - Supplier price reductions

- Operating costs to date down 8.4% YoY**

- Excluding cost of sales, 09/10 opex expected to be down €130m (16%) on 07/08 (before reinvestment in growth areas)

	31-Mar-09	31-Mar-10
- Employees	7,156	6,753
- Contractors*	1,805	1,314
- Total	8,961	8,067
Net reduction:		894 / 10%

** based on spend in the period*

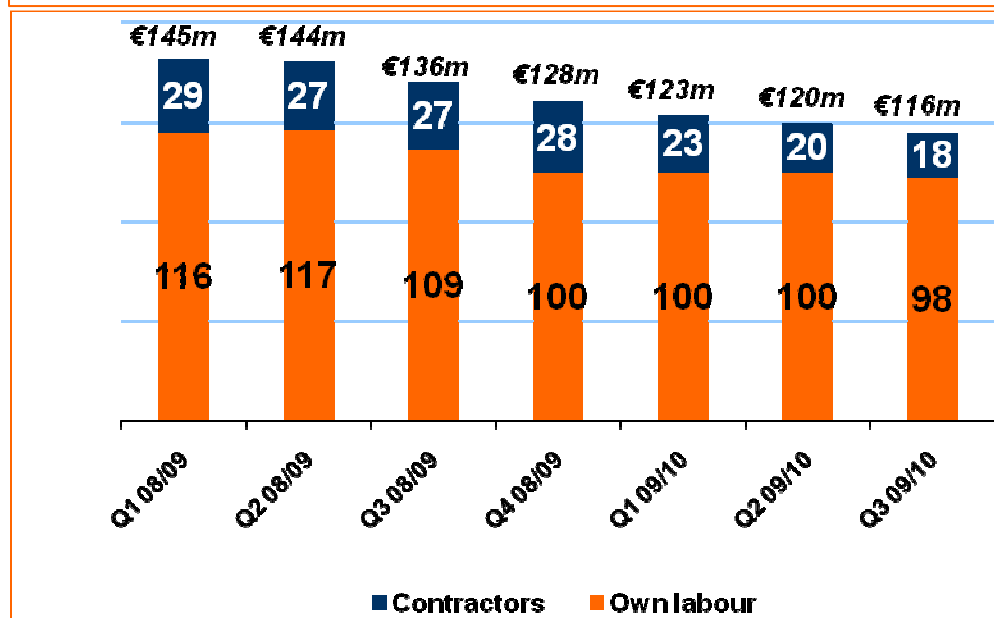
* Including contractors

** Excluding non-cash pension charge/(credit), exceptional costs and management fee

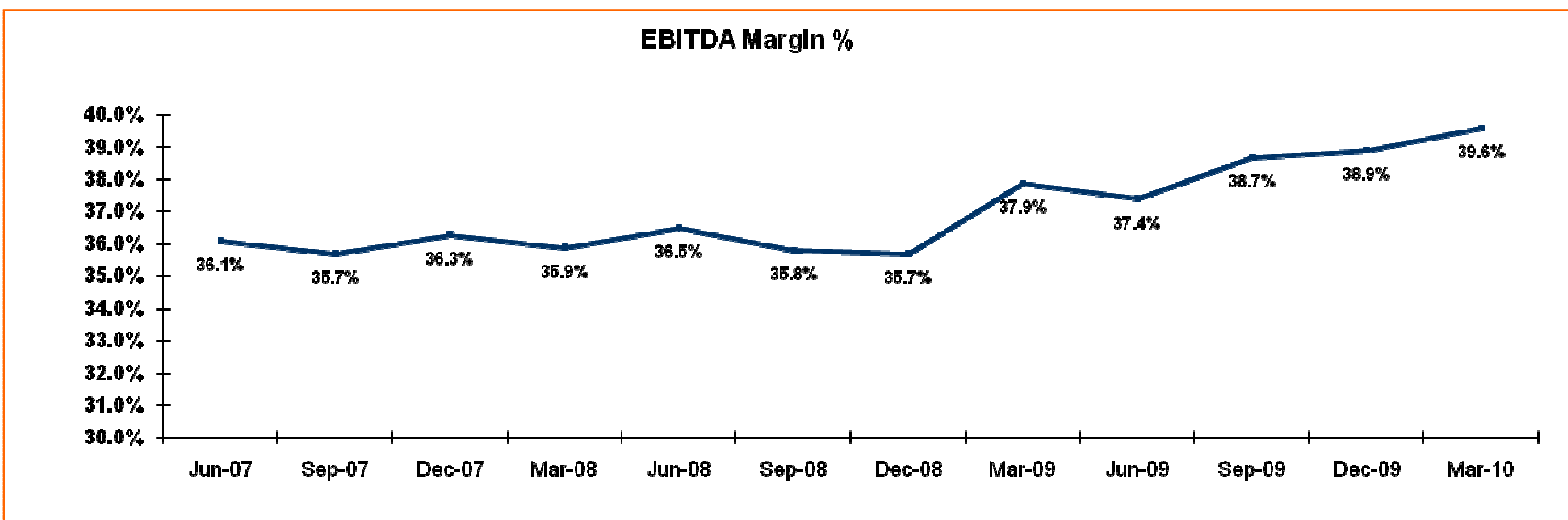
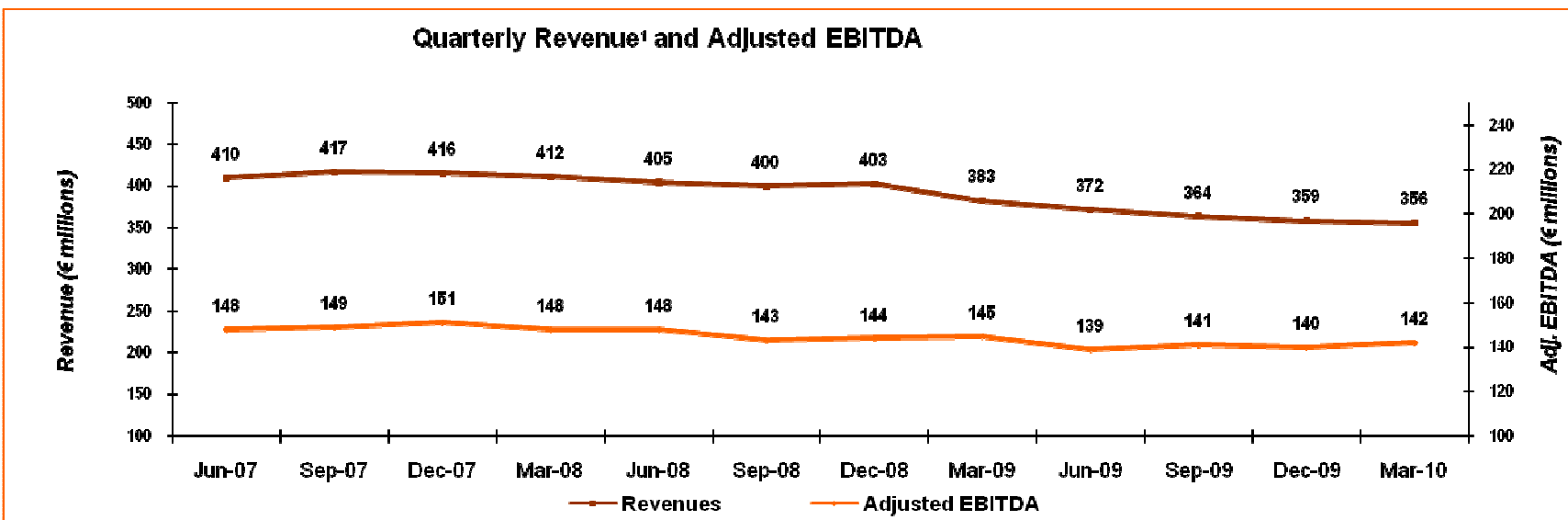
STAFF COSTS

	Q3 08/09 €M	Q3 09/10 €M	change %
Group staff costs:			
- Wages & salaries	100	89	11%
- Social welfare	4	4	0%
- Pension costs	6	7	-2%
Pay costs before non-cash pension	111	100	10%
Non cash pension (credit)/charge	(3)	6	n/a
Pay costs before capitalisation	108	106	2%
Capitalised labour	(20)	(13)	36%
Total Group P&L staff costs	88	93	-6%
P&L charge excluding non-cash pension	91	87	4%

20% reduction in total labour costs since Q1 2008/09

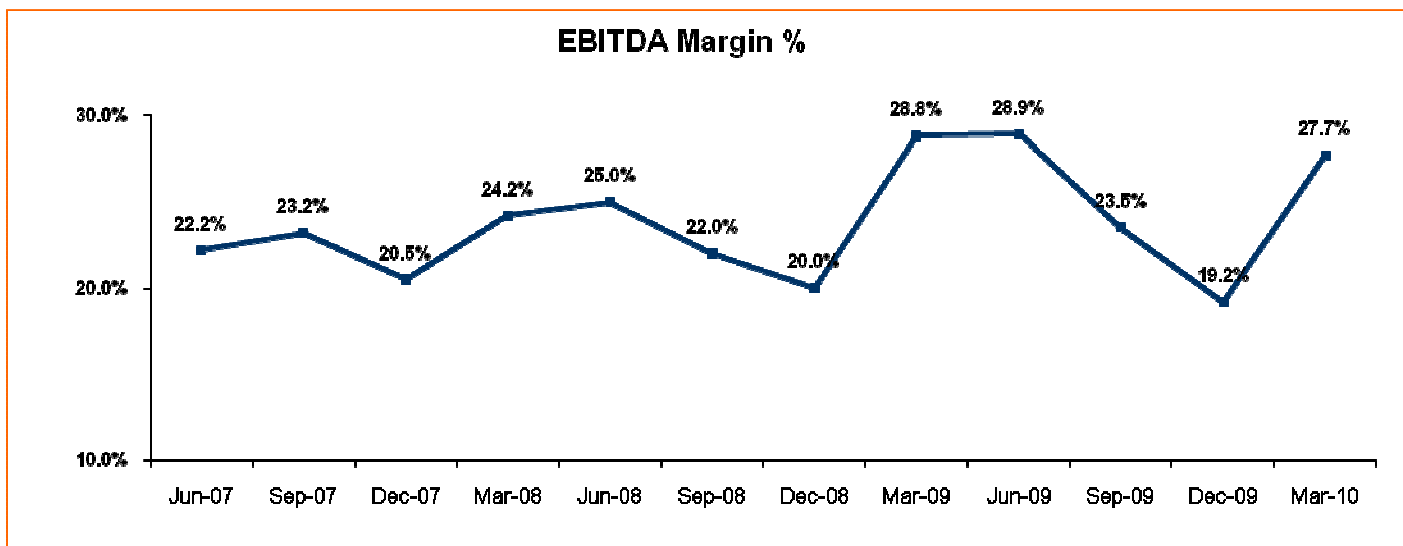
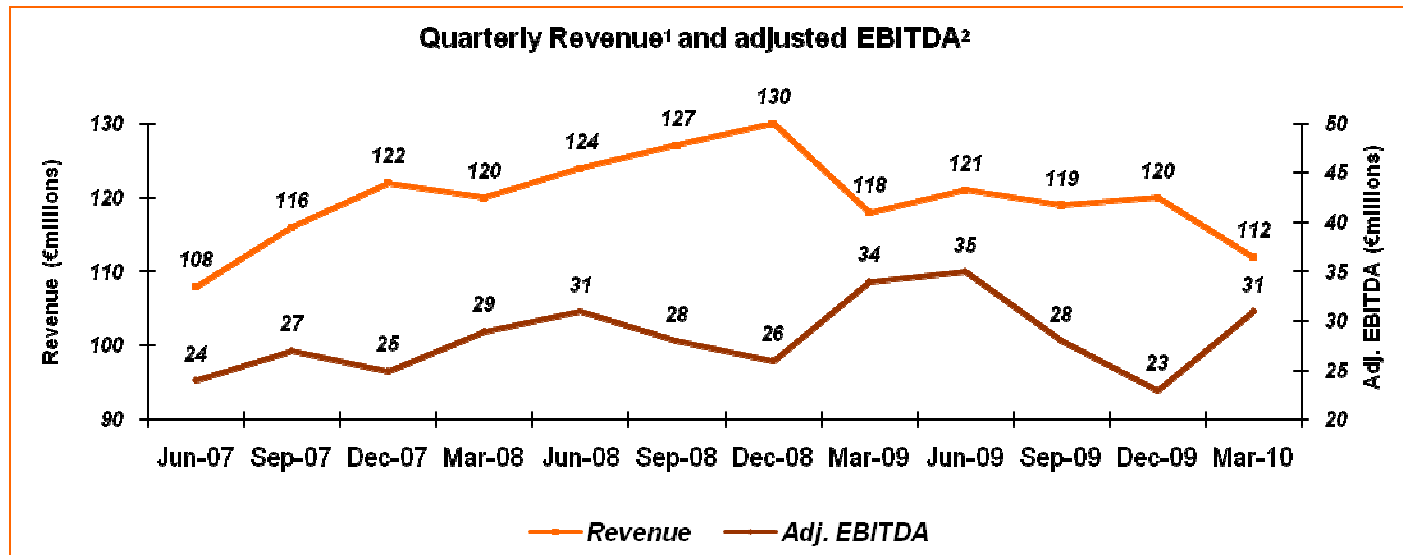


FIXED LINE FINANCIAL TRENDS

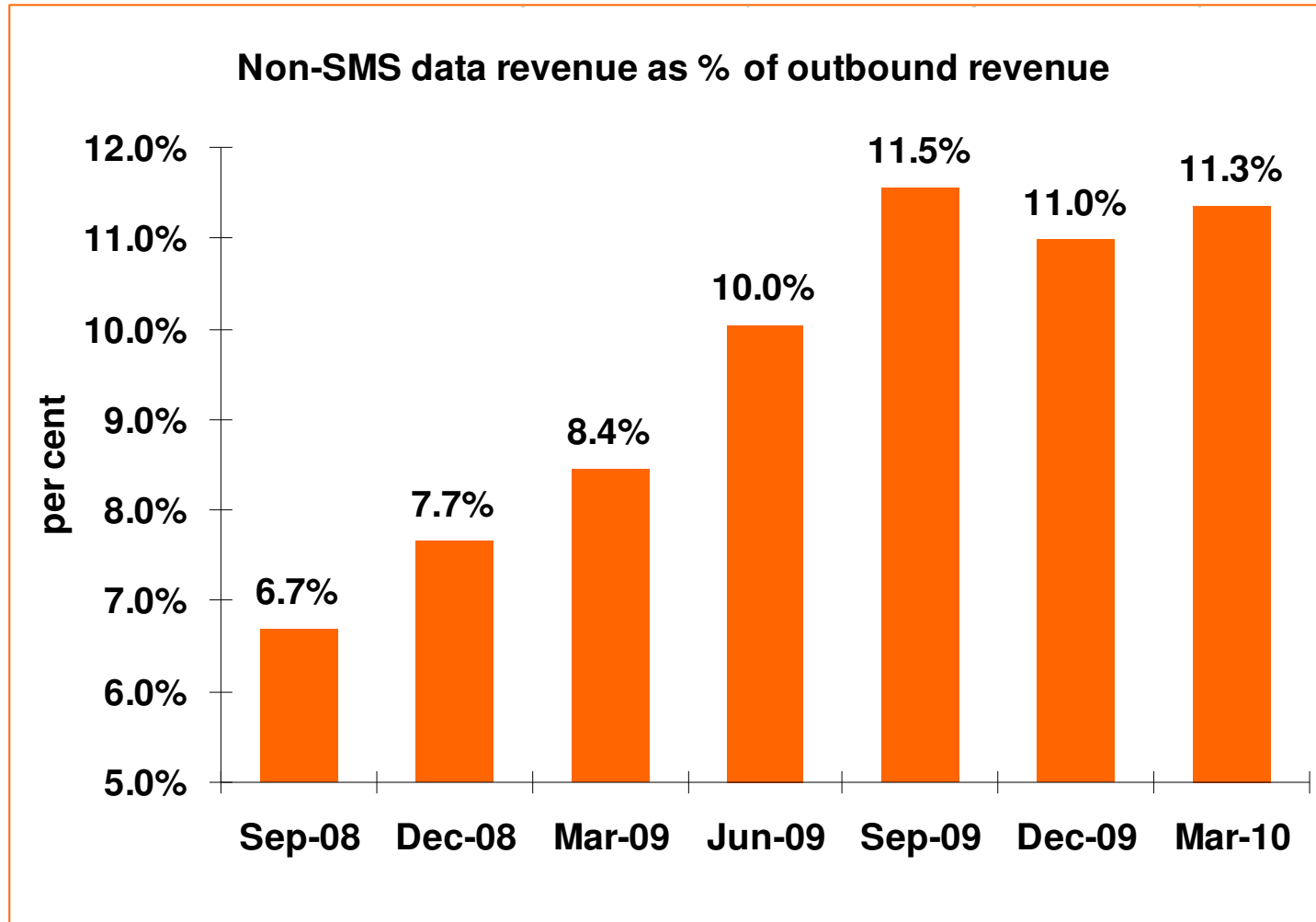


1. Source: unaudited management accounts
 Revenue after Fair Value adjustment, eircom Mobile reclassified from Fixed line to Mobile in all periods.
 Adjusted EBITDA before: exceptional costs, non cash pension credit, net construction income and profit on disposal of property and investments, and management charges.

MOBILE FINANCIAL TRENDS



NON-SMS DATA REVENUE AS A % OF OUTBOUND REVENUE



- Steady growth in non-SMS data revenues with roll-out of 3G products and services

DEBT PROFILE

	Jun-09 €M	Mar-10 €M	Margin %
Cash on hand (net of overdraft)¹	333	265	
Loan borrowings A / SPS	(460)	(373)	1.75%
Loan borrowings B	(1,231)	(1,228)	1.88%
Loan borrowings C	(1,231)	(1,229)	2.13%
Loan borrowings D	(350)	(350)	4.25%
FRNs	(350)	(350)	5.00%
Total acquisition cash pay debt	(3,622)	(3,530)	2.48%
Net acquisition cash pay debt ²	(3,289)	(3,265)	
Tetra debt	(26)	(43)	
Net debt for ERCIF	(3,315)	(3,308)	
PIK Note ³	(559)	(594)	7.00%
Net debt for ERCIPE Group	<u>(3,874)</u>	<u>(3,902)</u>	
Accrued cashpay interest	(31)	(3)	
Net acquisition cash pay debt incl accrued interest	<u>(3,320)</u>	<u>(3,267)</u>	

¹ excluding €7m of restricted cash

² excluding finance leases (€1m Jun 09; €nil Mar 10), defeased leases and capitalised expenses

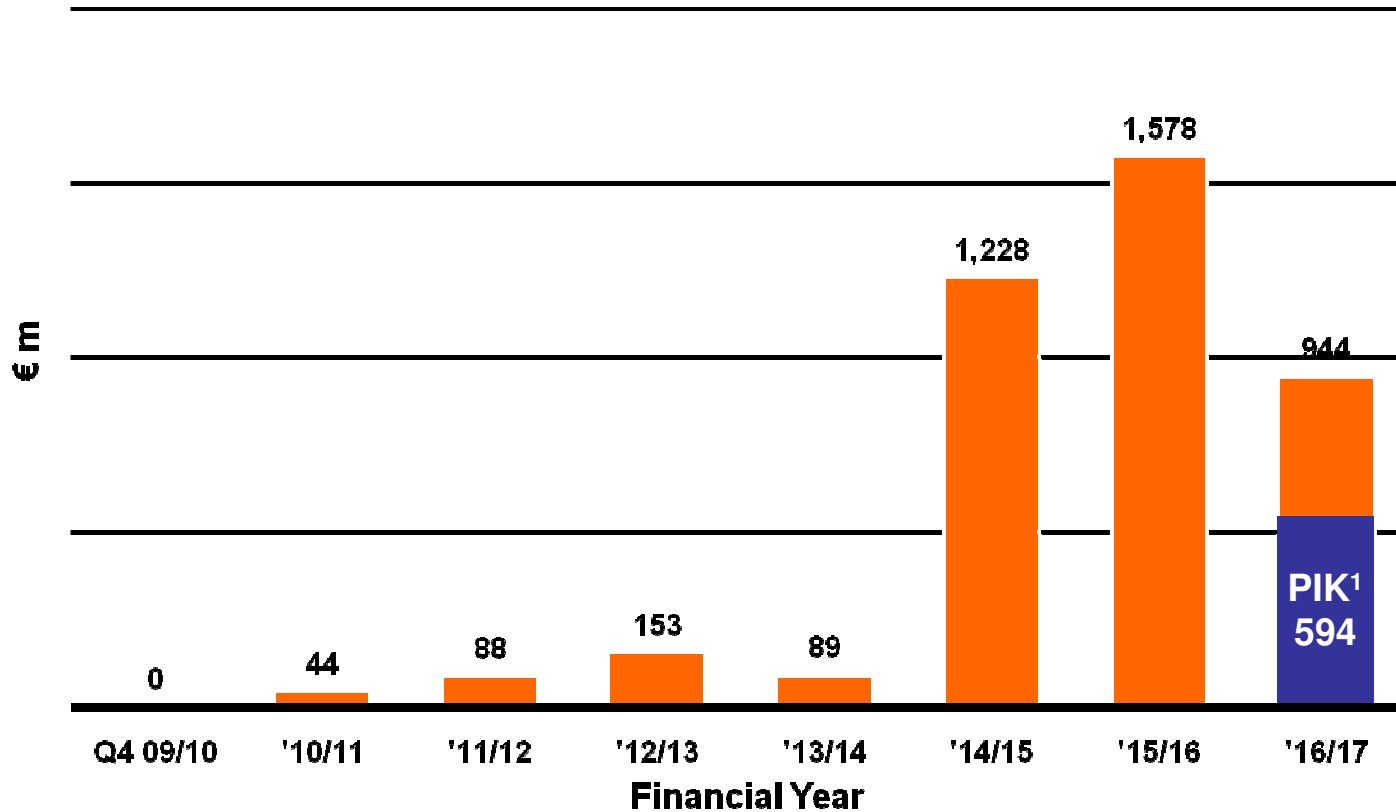
³ excluding accrued interest (€6m Jun 09; €6m Mar 10)

- €462m reduction in net cash pay acquisition debt* since June 2007
- Additional un-drawn revolving credit facility of €123m available for use, plus €200m uncommitted capex facility

* Including accrued interest

SCHEDULED DEBT REPAYMENT PROFILE

Scheduled repayments as of March 2010



- €44m scheduled for repayment by June 2011
- €2.75bn interest rate hedges in place, covering 84% of net cash-pay debt

© eircom 1. PIK is included at its accrued amount to 31 March 2010

Defined Benefit Scheme	Jun-08 €M	Jun-09 €M	Mar-10 €M
Value of Scheme Assets	2,746	2,201	2,615
Value of Scheme Obligations	(2,726)	(2,636)	(2,566)
Surplus / (Deficit)	20	(435)	49
- Recognised on the Balance Sheet	(113)	(109)	56
Current Service charge in full year P&L account	56	41	37**
Employer contributions in full year	17	17	18**
Main assumptions:			
- Salary increases/Pension increases	3.50%	2.80% ¹	2.20% / 2.00% ²
- Discount rate - Liabilities	6.25%	5.75%	5.15%
(1) The assumptions at 30 June 2009 reflect the agreed pay freeze up to 30 June 2011 with the stated rate applying thereafter.			
(2) The assumptions at 31 March 2010 reflect the agreed pay freeze up to 30 June 2011, the agreed freeze on pensionable pay up to 31 December 2013 and agreed cap on pensionable pay thereafter to the lower of annual CPI, salary inflation and agreed fixed annual rates.			
** Expected			

Source:
company
information

PENSIONS REMEDIATION

Overview



- Agreement reached with TUA (Trade Union Alliance) on changes to be implemented for Defined Benefit scheme
 - Formally approved in March 2010
- Pensionable pay freeze to 31 December 2013
- Increase in DB pensionable pay thereafter capped at each year's CPI growth, subject to a fixed maximum increase in each year
 - 2014 – 2017: 4.00%
 - 2018 – 2020: 3.25%
 - 2021 onwards: 2.50%
- No change to discretionary treatment of increases in pensions-in-payment
- Increase company contributions to a minimum of 8.5% of pensionable pay for the three years to 31 December 2013 (vs current 7.8%)
 - With a floor of €20m per annum
- DB scheme formally closed to new members
- Deficit at 31 December 09 eliminated
- Ongoing funding cost maintained at affordable levels
- Liability-side risks reduced and longer term de-risking facilitated
 - Significantly lower exposure to increases in inflation
 - Lower exposure to changes in actuarial assumptions (life expectancy, discount rate)
 - Improved long-term sustainability of the scheme

eircom:

Conclusion – Q&A

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